

Central Intelligence Agency



Washington, D.C. 20505

## DIRECTORATE OF INTELLIGENCE

5 January 1987

**Implications of the Vanuatu-Soviet Fishing Agreement** [redacted]

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Summary

Vanuatu's agreement to license Soviet fishing in its economic zone provides Moscow its first access to shore facilities in the South Pacific. The \$1.5 million agreement allows for servicing Soviet vessels fishing in Vanuatu's waters as well as in nearby areas. The negotiators have not yet signed the agreement, but both sides could do so this month. The license fee represents significant new revenue for the small and deteriorating economy of Vanuatu, but will fall far short of meeting the government's needs. [redacted]

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The maverick policies of Prime Minister Lini's government have begun to stir domestic political criticism, but opposition is only formative and poses little threat to either Lini or his ruling party. The fishing agreement--particularly the provision of shore access--will intensify concerns in Australia, New Zealand, and Japan over Moscow's growing attention to the South Pacific. [redacted]

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In our judgment, it is likely that the Soviets will obtain additional fishing agreements--and possibly other commercial deals--with financially pressed states in the South Pacific. [redacted]

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This memorandum was prepared by [redacted] Southeast Asia Division, Office of East Asian Analysis, with a contribution by [redacted], Office of Soviet Analysis. Research was completed on 2 January 1987. Comments and questions are welcome and should be addressed to Chief, Southeast Asia Division, OEA, [redacted]

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[redacted] Moscow will attempt to renew its expired fishing agreement with Kiribati. We believe that Moscow has a long-term goal of increasing its diplomatic and commercial profile in the region as part of its campaign to undercut the preponderant influence of the United States and other Western nations. The comparatively miniscule cost to the Soviets suggests Moscow will persist in this objective at every opportunity and despite occasional setbacks. [redacted]

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### A Deal Is Struck

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[redacted] [redacted]  
[redacted] Following preliminary discussions during 1986, Soviet and Vanuatu officials held actual negotiations last December in Sydney, Australia. Vanuatu agreed to license Soviet fishing in its 200-mile Exclusive Economic Zone (EEZ) for one year and to allow Soviet fishing vessels general port access. Under the terms of the agreement:

- o Moscow will pay within one month of the date the agreement is signed a licensing fee of \$1.5 million for eight vessels to fish in Vanuatu's EEZ.
- o Soviet vessels may enter Vanuatu's territorial waters to transfer catches from fishing boats to mother ships.
- o Soviet vessels may enter port at Port Vila, Luganville, and Palekulu to refuel and resupply, and to perform maintenance.

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The status of landing rights for Aeroflot charter flights--ostensibly to facilitate crew rotation on the fishing vessels--is not clear. [redacted]

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[redacted] Vanuatu officials may want to hold landing rights as a bargaining chip in future negotiations. Although both the Soviet and Vanuatu teams agreed to terms, they did not set a date for formal signature. [redacted]

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[redacted] signature this month is possible. The Vanuatu Cabinet approved the agreement on 19 December. [redacted]

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Vanuatu's motive in the agreement is primarily economic, according to US Embassy officials in Port Moresby. [REDACTED]

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[REDACTED] Vanuatu officials recognized that port access was the principal Soviet goal; they realize that the license fee is far more than the relatively poor fishing potential of Vanuatu waters would justify. Port Vila officials foresee that Moscow will try to reduce the amount when negotiating renewal of the agreement--a tactic the Soviets used unsuccessfully with Kiribati last year during negotiations to renew their bilateral agreement. [REDACTED]

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### An Economy in Decline

The license fee from Moscow represents significant new revenue for Vanuatu but will fall short of the Lini government's foreign exchange needs, which we estimate will amount to at least \$6.5 million for 1987, judging from last year's budget deficit. Vanuatu's economy and investment climate are deteriorating markedly, according to the US Embassy in Port Moresby. Both expatriate and native businessmen in Vanuatu are concerned about Lini's maverick foreign policies--such as his fishing agreement with Moscow, the establishment of diplomatic relations with Libya, facilitating Tripoli's contacts with groups in the South Pacific, and Lini's support for insurgent elements in Indonesia and New Caledonia. These concerns compound their worries that bureaucratic incompetence and corruption make for an uncertain business climate. [REDACTED]

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Central Bank officials estimate that national output declined by 2 percent in 1986 primarily because of record low copra prices and reduced tourism. In addition, France recently announced it was cutting aid to its former colony by some \$4 million in retaliation for Lini's outspoken support of radical pro-independence elements in French New Caledonia. [REDACTED]

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### Reactions at Home and Abroad

The Lini government's dealings with Moscow and Libya have begun to stimulate domestic political opposition. According to the US Embassy in Port Moresby, three new political parties have emerged in Vanuatu, all criticizing the policies of Lini's ruling Vanua'aku Party for alarming the country's friends and damaging the economic climate. Nevertheless, opposition to the deal with Moscow is only formative and appears unlikely to pose a significant political problem for either Lini or his party any time soon. [REDACTED]

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For his part, we expect Lini to portray the fishing agreement with Moscow as appropriate for Vanuatu's "nonaligned" foreign policy orientation. According to US Embassy reporting, Vanuatu does not intend for its agreement with Moscow to isolate it from the West and will continue to maintain its traditional economic and cultural orientation toward the West. [REDACTED]

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[REDACTED]

The Vanuatu fishing agreement--particularly the provision for Moscow's first shore access in the South Pacific for its fishing fleet--will heighten Australian and New Zealand security concerns. In discussions with the US Embassy, Australian Foreign Ministry officials have repeatedly expressed concern at the prospect of an increased Soviet presence in the South Pacific and have stressed the imperative of countering these activities. As a first step, we believe Canberra will probably intensify its lobbying among the South Pacific Forum members to dissuade them from further dealings with the Soviet Union. Such a tactic runs a risk, however, of provoking criticism by smaller forum members that Australia is throwing its weight around. Canberra also believes that increased Western economic involvement can help blunt the appeal of Soviet commercial offers and is certain to encourage Tokyo and Washington to increase support and attention to the region. [REDACTED]

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Although there has been no public reaction from New Zealand to the Vanuatu fishing agreement, we expect Prime Minister Lange will not be pleased with Moscow's gaining further access to the South Pacific--a region in which Wellington has traditionally taken a proprietary interest. Lange has rebuffed Aeroflot's requests for landing rights, although New Zealand for several years has granted limited shore access to Soviet fishing fleets. [REDACTED]

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### Prospects

In our judgment, other South Pacific states are likely to be attracted by Soviet fishing and commercial offers. Most South Pacific island states are beset with economic strains and budget deficits as a result of depressed prices for traditional exports, such as copra, timber, fish, and sugar, as well as reduced tourism. Global economic forecasts for the next several years

offer no hope that these countries' export-based economies will turn around. [ ]

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Although economic pressures may make several South Pacific governments more willing to consider Soviet fishing and commercial offers, none--other than Vanuatu--appears receptive to a Soviet on-shore presence. The island populations for the most part are staunchly Christian, Western-oriented, and highly suspicious of Communism in general and the Soviets in particular. [ ]

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The most likely to make an arrangement with Moscow is Kiribati--the first South Pacific island state to license Soviet fishing in 1985. President Tabai told visiting US officials in mid-December that he was satisfied with Soviet compliance with the fishing agreement that expired in October. Tabai intended to renew the agreement if Moscow matched its previous fee of \$1.6 million despite domestic opposition to dealing with the Soviet Union. Although Tabai acknowledges that Kiribati's expected earnings from the recently concluded fisheries treaty with the United States will theoretically compensate for the loss of Soviet revenue, in our judgment he would probably renew the arrangement--but continue to refuse shore access--should Moscow agree to the previous license fee. [ ]

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Several other financially pressed island states may reconsider commercial arrangements with the Soviet Union, particularly if they judge the Soviets to have behaved properly in Kiribati and to have made a fair deal in Vanuatu.

- o Fiji's staunchly conservative Prime Minister Mara, who lobbied hard to head off Kiribati's 1985 fishing agreement with the USSR, admits that he faces growing pressure from liberal and labor elements to consider Soviet offers to expand commercial relations.
- o Tuvalu had for awhile in 1985 entertained a Soviet offer of a fishing agreement before rejecting it because of lobbying by Australia, New Zealand, and other South Pacific governments and increased aid from Wellington.
- o In August 1986, Papua New Guinea's then-Foreign Minister, Vagi, proposed that the South Pacific Forum jointly develop a strategy for negotiating fishing agreements with major fishing nations, including the Soviet Union.

In the longer term, as new leaders less inclined toward the West move to the fore, island governments may be increasingly receptive to commercial offers from the Soviet Union. [ ]

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We believe that the Soviet Union has a long-term goal of increasing diplomatic and commercial relations in the South Pacific as part of its campaign to erode the preponderant

influence of the West--particularly the United States. Access to shore facilities in Vanuatu will increase Soviet contact with the local population, and Moscow will almost certainly seek to exploit the opportunity to develop its influence. [redacted]

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As it is, Soviet propaganda portrays the Kremlin as a distant, but concerned and benevolent, spokesman for the South Pacific, at the same time depicting the United States as a bullying, militaristic presence striving to engulf the region in superpower rivalry. Moscow plays to the region's strong anti-nuclear sentiment and was quick to sign the protocols to the South Pacific Nuclear-Free-Zone Treaty. [redacted]

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Appendix  
**Vanuatu at a Glance**

**Land Area:** 14,763 sq. km., over 80 islands

**Population:** 136,000 (July 1986); average annual growth 3.2 percent. Predominantly Christian. Literacy rate probably 10 to 20 percent.

**Economy:** GDP \$77 million (1984)

**Agriculture:** export crops of copra, cocoa, coffee, some livestock, and fish production; subsistence crops of copra, taro, yams.

**Major industrial activities:** fish freezing, canneries, tourism.

**Exports:** \$44 million (1984), primarily to the Netherlands, Belgium, New Caledonia, and France.

**Imports:** \$66 million (1984), primarily from Australia, Japan, New Zealand, France, and Fiji.

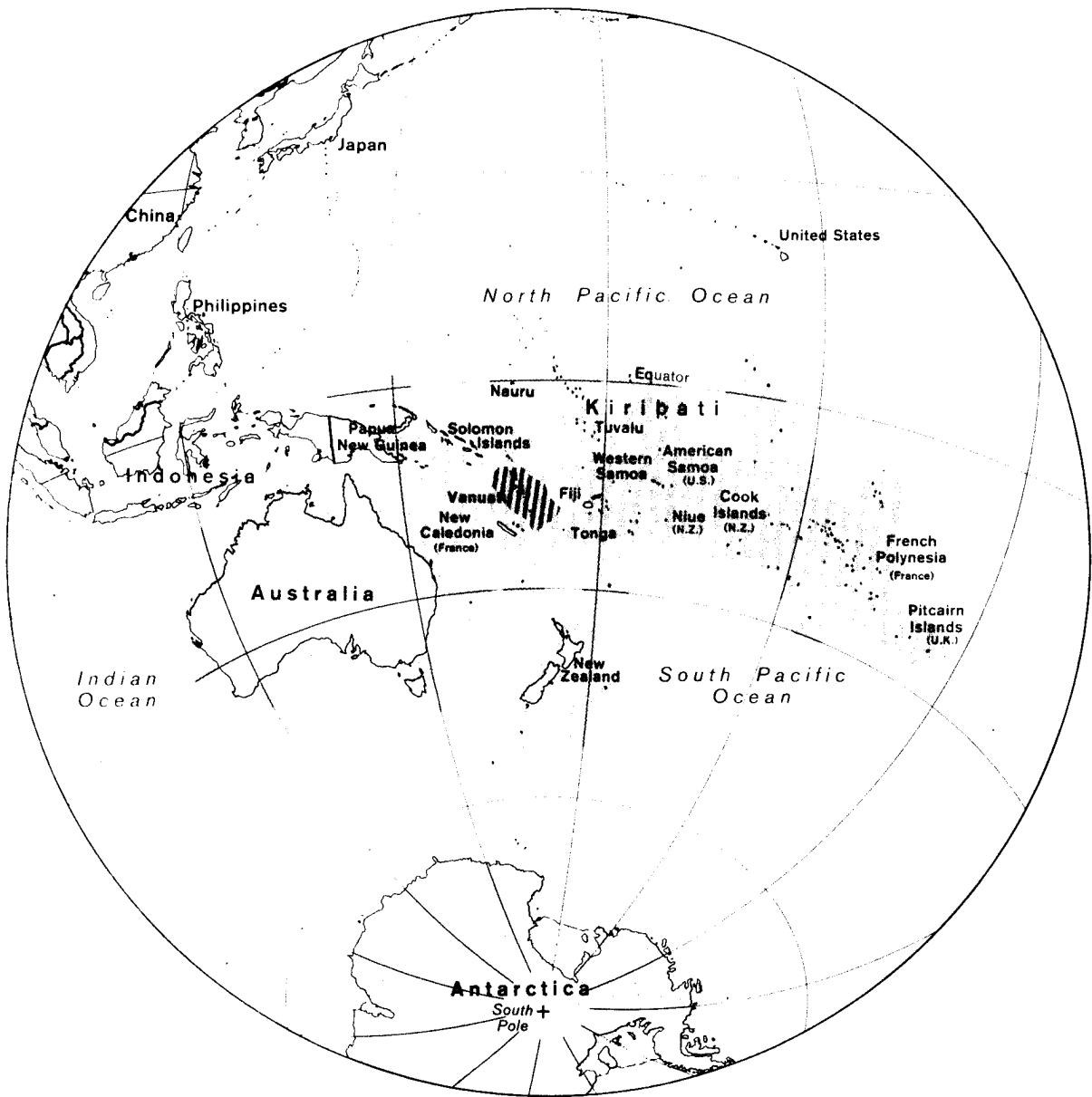
**Principal aid donors:** Australia, Britain, France, Japan, and New Zealand.

**Defense Forces:** no military forces maintained; however, a police force--consisting of some 160 regulars and a paramilitary force of about 300--is responsible for internal and external security.

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South Pacific 200-Nautical Mile Maritime Zones

Vanuatu's Exclusive Economic Zone



Boundary representation is  
not necessarily authoritative  
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Original 1--OEA/SE/IB

1--OEA/SE/ITM

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1--PDB Staff (7F30)

1--NIO/EA (7E62)

1--NIO/USSR-EE (7E47)

1--NIO/ECON (7E48)

1--C/NIC (7E62)

5--CPAS/IMC/CB (7G07)

1--C/PES/DDI (7F24)

1--DDI (7E44)

1--DCI (7D60)

1--DDCI (7D6011)

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1--C/DDO/EA (5D00)

1--DDO/EA [redacted] (5C18)

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1--D/SOVA (4E58)

1--SOVA/TWAD (4E12)

1--D/OEAA (4F18)

1--Senior Review Panel (5G00)

1--CPAS/ILS (7G15)

5--CPAS/IMC/CB (7G07)

1--OEA/NEA (4G43)

1--OEA/CH (4G32)

1-- [redacted] NIC/Analytical Group (7E47)

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1-- [redacted] C/DO/PPS (3D01)

1--OEA/Research Director (4G48)

1--C/EA/RR (5D10)

1--D/OGI

1--CH/LDA/AB

2--OCR/ISG (1H19)

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1--James R. Lilley, Deputy Assistant Secretary

1--J. Stapleton Roy, Deputy Assistant Secretary

1--Robert Duncan, Office of Economic Policy

1--Richard Solomon, Director, Policy Planning Staff

1--Russell Surber, EAP/PIA

1--Caryl Courtney, EAP/PIA

1--Robert A. Benzinger, EAP/PIA

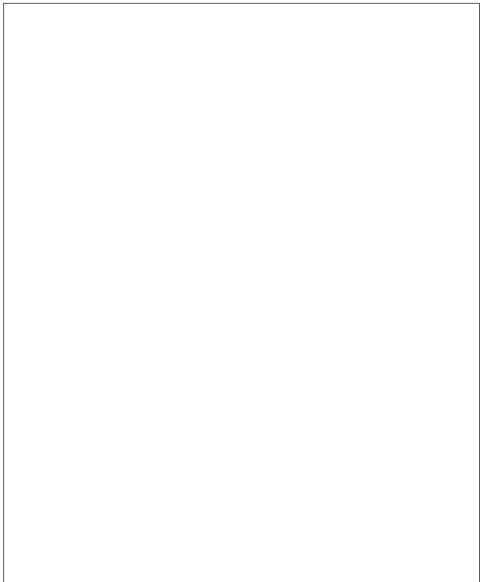
Defense:

- 1--Richard L. Armitage, Assistant Secretary for  
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- 1--Karl D. Jackson, Deputy Assistant Secretary for East  
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- 1--Rear Admiral Edward B. Baker, Jr., ISA/ East Asia &  
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